



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Mr Udo Bullmann

Member of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt, 19 October 2016

L/MD/16/450

**Re: Your letter (QZ-079)**

Honourable Member of the European Parliament, dear Mr Bullmann,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 13 September 2016.

The ECB has been monitoring various aspects of the Pallas Athena Public Thinking Programme from the perspective of its compliance with Article 123 of the Treaty on the Functioning of the European Union (TFEU), including the financial investments of the foundations established by the Magyar Nemzeti Bank (MNB) in connection with the Programme.

As I had the opportunity to explain in my reply to your MEP colleague, Mr Molnár dated 14 June 2016<sup>1</sup>, it is the ECB's opinion that the prohibition of direct purchases of government bonds by national central banks (NCBs), as laid down in Article 123 of the TFEU, should be understood to also apply to any vehicle legally separated from the NCBs but operating under their direct influence, where such vehicle is used as a pass-through mechanism amounting to a potential circumvention of the monetary financing prohibition. In this respect, NCBs must ensure that sufficient safeguards are in place so as to avoid that such legal constructions could become a means to channel central bank resources to the government, and thus to circumvent the monetary financing prohibition.

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<sup>1</sup> The letter is available on the ECB's website at [https://www.ecb.europa.eu/pub/pdf/other/160615letter\\_molnar.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/160615letter_molnar.en.pdf)

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I cannot comment on the monitoring as the process is still ongoing. However, I can assure you that the ECB takes the responsibilities that the TFEU entrusts to it very seriously. Based on its monitoring, the ECB will consider the appropriate steps to take and exercise its discretion to potentially initiate infringement proceedings under Article 271(d) of the TFEU<sup>2</sup> and Article 35.6 of the Statute of the ESCB if it finds that any national central bank has failed to fulfil an obligation under the Treaties and the Statute of the ESCB<sup>3</sup>.

Yours sincerely,

[signed]

Mario Draghi

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<sup>2</sup> Consolidated version of the Treaty on the Functioning of the European Union: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:12012E/TXT>

<sup>3</sup> Statute of the ESCB and of the ECB: [https://www.ecb.europa.eu/ecb/legal/pdf/c\\_32620121026en\\_protocol\\_4.pdf](https://www.ecb.europa.eu/ecb/legal/pdf/c_32620121026en_protocol_4.pdf)

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